# Guangzhou Light Industry & Trade Group Ltd & Ors v Lintas Superstore Sdn Bhd

FEDERAL COURT (PUTRAJAYA) — CIVIL APPEAL NO 02(f)-62–10 OF 2020(S)
ABANG ISKANDAR CJ (SABAH AND SARAWAK), ZAWAWI SALLEH AND ZABARIAH YUSOF FCJJ
3 JUNE 2022

*Trade Marks — Infringement of registered trademark and passing off — Parallel imports — Whether defendant could avail of defence of parallel importation — Defendant failed to show China-based registered owner and user of trademark had consented to defendant importing its China-made products for resale in Malaysia — Whether products that defendant imported clearly stated on their labels that they were only meant for sale in China — Whether defendant had used its agents to buy the products in bulk from plaintiff's retail outlet in China and shipped them to defendant's premises in Sabah for resale in Malaysia — Whether the products so imported were materially different in content, quality and packaging from those sold by plaintiff's sole authorised distributor in Malaysia — Whether there was high likelihood consumers would be confused and deceived into thinking goods sold by defendant were the same as those marketed by said distributor — Whether defendant's actions threatened to damage plaintiff's reputation and goodwill*

The first appellant ('A1') was a China-based canned food manufacturing company. It owned the 'Eagle Coin' trademark, which was registered in China and in Malaysia. The second appellant ('A2') was A1's subsidiary and was in the business of making, importing and exporting food products including canned food. A2 was assigned to use the 'Eagle Coin' trademark and to sell products bearing that trademark outside China. The third appellant ('A3') was a Malaysian company based in Sabah and was the sole authorised distributor of canned foods bearing the 'Eagle Coin' trademark in Malaysia and was also the registered user of that trademark in Malaysia. The appellants sued the respondent ('R'), which ran a supermarket business in Sabah, for damages for trademark infringement and for the tort of passing off. The appellants complained that R had used a trademark similar to the appellants' 'Eagle Coin' trademark on its canned fried dace products ('the infringing products') in the course of its trade. The infringing products were, in fact, produced by A1 and A2 solely for sale in China. Without obtaining the appellants' consent, R, through its agents, had bought the infringing products from A2's retail outlet in China and then shipped them to its Sabah supermarket for resale in Malaysia. R relied upon the defence of parallel importation to deny the appellants' claims. The trial judge allowed the appellants' claims on finding

that: (i) R had knowingly committed the trademark infringement and could not rely upon the defence of parallel importation because it had not shown that it had obtained the express or implied consent of the appellants to import the infringing products into Malaysia for resale; and (ii) the tort of passing off had been proven because R had misled the public into thinking that the infringing products that it sold were the same as the ones marketed by A3. Without giving any grounds for its decision, the Court of Appeal ('COA') allowed R's appeal and set aside the High Court's decision. The appellants were given leave to appeal to the Federal Court on seven questions of law, namely: (a) would a brand owner's trademark rights be exhausted worldwide if goods in relation to which the trademark was used had been put on the market by the brand owner for sale only within a specific country or region or geographical area (for example, if the goods were to be sold only in China); (b) whether the sale of parallel-imported goods in Malaysia could be prohibited if those goods were materially different from the goods that the trademark owner had authorised to be put on the market in Malaysia; (c) could the quantity of goods bought outside Malaysia be used to determine if the manufacturer/brand owner had given implied consent to the resale of those goods in Malaysia; (d) if the answer to (c) was 'yes', would that consent be valid if the goods so bought were put in the market by the manufacturer/trademark owner for sale only in the country where the goods were bought; (e) whether goods purchased but not imported and/or which did not comply with laws concerning importation amounted to parallel importation; (f) whether Malaysian law permitted the sale of food products which were not packaged in accordance with the Food Regulations Act 1985 and/or Food Act 1983; and (g) whether a trademark owner's express or implied consent could supersede the laws of Malaysia.The appellants submitted that their claim against R should be allowed because: (1) R could not show that the registered owner or user of the trademark had consented to R parallel-importing the infringing products into Malaysia for resale; (2) since the infringing products were strictly meant for sale only within China, as was clearly stated on their labelling/packaging, it did not matter what quantity of those products R had bought from A2's retail outlet in China because even if a large quantity had been bought that did not ipso facto mean consent to the resale of those products in the Malaysian market had been given; (3) there was no worldwide exhaustion of the appellants' trademark rights; and (4) since the infringing products were different in terms of content, quality and packaging from the appellants' goods marketed by its sole distributor in Malaysia, R's resale of those products threatened to damage the appellants' reputation and goodwill in Malaysia. R, on the other hand, submitted that as A2 was assigned by A1 to use the 'Eagle Coin' trademark and to sell products bearing that trademark outside China, the fact that R had bought the infringing products from A2's retail outlet in China for subsequent resale in Malaysia could not give rise to a charge of trademark infringement or passing off. R claimed that implied consent to its parallel importation of the goods had been given when

A2 (allegedly) shipped the goods to R in Sabah between the months of September and November 2016.

**Held**, unanimously allowing the appeal, answering leave questions (a) and (c) in the negative and leave question (b) in the affirmative and declining to answer the remaining leave questions, setting aside the COA's decision and restoring the decision of the High Court:

(1) The COA erred in reversing the decision of the High Court. The High Court was right in allowing the appellants' claim for trademark infringement and for passing off and in finding that R's defence of parallel importation was unsustainable (see para 158).

(2) The appellants did not expressly or impliedly consent to R reselling the infringing products in Malaysia. There was no affiliation between the parties to warrant the existence of any implied consent; rather, it invited confusion and deception amongst consumers due to the unauthorised sale of the products. There was no exhaustion of the appellants' trademark rights, whether nationally or internationally. Implied consent could only be inferred when the facts and the circumstances unequivocally showed that the trademark owner had renounced his right to oppose the placing of the goods on the market in the jurisdiction where the goods had been imported (see paras 130 & 136).

(3) The High Court judge found no evidence that A2 had shipped to R, the canned fried dace that R had bought at A2's retail outlet in China. The judge found from the evidence that R's representative, DW1, who was a Chinese citizen, had gone to that retail outlet to buy the products which were subsequently shipped to R by R's agent. The transporter and the forwarding company that shipped the goods to R had nothing to do with A1 or A2 and were not the appellants' agents. The labelling on the products clearly indicated that the goods were not meant for sale outside China. The trial judge found that R had admitted selling a product with a trademark of which it was neither the registered owner nor registered user. Although the infringing products were bought in bulk, that by itself did not give the inference that the appellants knew that the goods were bought for resale, marketing and distribution in Malaysia. All these findings of facts, with which this court found no reason to interfere with, were never impugned or assailed by the COA nor was any explanation given as to whether the trial judge had been plainly wrong in making those findings (see paras 133–134).

(4) The sale of parallel imports in Malaysia could be prohibited if the goods intended to be resold were materially different from goods that the trademark owner had authorised for sale in the Malaysian market. In the instant case, apart from the fact that the infringing products were only meant for sale in China, those products were materially different in

content, quality and packaging from the goods marketed by A3. The infringing products also failed to comply with the labelling requirements under the Food Regulations 1985 including the 'halal' requirement. The existence of these differences, tending to create confusion amongst consumers, constituted trademark infringement (see paras 144–146).

(5) The negative answer to leave question (c) rendered leave question (d) (which presupposed that there was valid consent, when the facts showed that consent was never given) irrelevant. As for the issues raised in leave questions (e), (f) and (g), they were never raised before the High Court judge. In his grounds of judgment, the trial judge had also not said anything about the matter of compliance with food laws in relation to parallel imports. Hence, this court declined to answer leave questions (d)–(g) (see paras 153–156).

**[Bahasa Malaysia summary**

Perayu pertama ('A1') adalah sebuah syarikat pengeluar makanan dalam tin yang berpangkalan di China. Ia memiliki cap dagangan 'Eagle Coin', yang didaftarkan di China dan di Malaysia. Perayu kedua ('A2') adalah anak syarikat A1 dan menjalankan perniagaan menghasilkan, mengimport dan mengeksport produk makanan termasuk makanan dalam tin. A2 telah ditugaskan untuk menggunakan cap dagangan 'Eagle Coin' dan untuk menjual produk yang mengandungi cap dagangan tersebut di luar China. Perayu ketiga ('A3') adalah sebuah syarikat Malaysia yang berpangkalan di Sabah dan merupakan satu-satunya pengedar sah makanan dalam tin yang mempunyai cap dagangan 'Eagle Coin' di Malaysia dan juga merupakan pengguna berdaftar cap dagangan tersebut di Malaysia. Perayu menyaman responden ('R'), yang menjalankan perniagaan pasar raya di Sabah, untuk ganti rugi bagi pelanggaran cap dagangan dan untuk tort kelirupaan. Perayu mengadu bahawa R telah menggunakan cap dagangan yang serupa dengan cap dagangan 'Eagle Coin' perayu pada produk *fried dace* dalam tinnya ('produk pelanggaran') semasa perdagangannya. Produk pelanggaran tersebut, sebenarnya, dihasilkan oleh A1 dan A2 semata-mata untuk dijual di China. Tanpa mendapat persetujuan perayu, R, melalui ejennya, telah membeli produk pelanggaran daripada kedai runcit A2 di China dan kemudian menghantarnya ke pasar raya Sabah untuk dijual semula di Malaysia. R bergantung kepada pembelaan pengimportan selari untuk menafikan tuntutan perayu. Hakim perbicaraan membenarkan tuntutan perayu apabila mendapati bahawa: (i) R telah dengan sengaja melakukan pelanggaran cap dagangan dan tidak boleh bergantung pada pembelaan pengimportan selari kerana ia tidak menunjukkan bahawa ia telah mendapat kebenaran nyata atau tersirat perayu untuk mengimport produk pelanggaran ke dalam Malaysia untuk dijual semula; dan (ii) tort kekelirupaan telah dibuktikan kerana R telah mengelirukan orang ramai untuk berfikir bahawa produk pelanggaran yang dijualnya adalah sama dengan yang dipasarkan oleh A3. Tanpa memberikan sebarang alasan untuk keputusannya,

A Mahkamah Rayuan ('MR') membenarkan rayuan R dan mengetepikan keputusan Mahkamah Tinggi. Perayu-perayu diberi kebenaran untuk merayu di Mahkamah Persekutuan atas tujuh persoalan undang-undang, iaitu: (a) adakah hak cap dagangan pemilik jenama akan dihabiskan di seluruh dunia jika barang yang berkaitan dengan cap dagangan tersebut digunakan telah B diletakkan di pasaran oleh pemilik jenama tersebut untuk dijual hanya dalam negara atau wilayah atau kawasan geografi tertentu (contohnya, jika barang tersebut hanya dijual di China); (b) sama ada penjualan barangan import selari di Malaysia harus dilarang jika barangan tersebut berbeza secara material daripada barang yang telah dibenarkan oleh pemilik cap dagangan untuk C diletakkan di pasaran di Malaysia; (c) bolehkah kuantiti barang yang dibeli di luar Malaysia digunakan untuk menentukan sama ada pengilang/pemilik jenama telah memberikan persetujuan tersirat untuk penjualan semula barang tersebut di Malaysia; (d) jika jawapan kepada (c) adalah 'ya', adakah persetujuan tersebut sah jika barang yang dibeli diletakkan di pasaran oleh D pengilang/pemilik cap dagangan untuk dijual hanya di negara tempat barang tersebut dibeli; (e) sama ada barang dibeli tetapi tidak diimport dan/atau yang tidak mematuhi undang-undang mengenai pengimportan terjumlah kepada pengimportan selari; (f) sama ada undang-undang Malaysia membenarkan penjualan produk makanan yang tidak dipaket mengikut Akta E Peraturan-Peraturan Makanan 1985 dan/atau Akta Makanan 1983; dan (g) sama ada kebenaran nyata atau tersirat pemilik cap dagangan boleh melangkaui undang-undang Malaysia. Perayu-perayu berhujah bahawa tuntutan mereka terhadap R harus dibenarkan kerana: (1) R tidak dapat menunjukkan bahawa pemilik berdaftar atau pengguna cap dagangan telah F bersetuju untuk R mengimport selari produk pelanggaran ke dalam Malaysia untuk dijual semula; (2) memandangkan produk pelanggaran tersebut telah hanya dimaksudkan untuk dijual di China sahaja, seperti yang dinyatakan dengan jelas pada pelabelan/pembungkusan mereka, tidak kira berapa kuantiti produk tersebut R telah beli daripada kedai runcit A2 di China kerana G walaupun kuantiti yang banyak telah dibeli ia tidak secara ipso facto bermaksud persetujuan untuk penjualan semula produk tersebut di pasaran Malaysia telah diberikan; (3) tiada kehabisan hak cap dagangan perayu di seluruh dunia; dan (4) memandangkan produk yang melanggar adalah berbeza dari segi kandungan, kualiti dan pembungkusan daripada perayu. barangan H yang dipasarkan oleh pengedar tunggalnya di Malaysia, penjualan semula R produk tersebut mengancam reputasi dan nama baik perayu di Malaysia. R, sebaliknya, mengemukakan bahawa memandangkan A2 telah ditugaskan oleh A1 untuk menggunakan cap dagangan 'Eagle Coin' dan untuk menjual produk yang mengandungi cap dagangan tersebut di luar China, hakikat bahawa R I telah membeli produk pelanggaran daripada kedai runcit A2 di China untuk penjualan semula di Malaysia tidak boleh menimbulkan pertuduhan pelanggaran cap dagangan atau kekelirupaan. R mendakwa bahawa persetujuan tersirat untuk pengimportan selari barangan tersebut telah diberikan apabila A2 (didakwa) menghantar barangan tersebut kepada R di

Sabah antara bulan September dan November 2016. A

**Diputuskan**, sebulat suara membenarkan rayuan, menjawab soalan kebenaran (a) dan (c) secara negatif dan soalan kebenaran (b) secara afirmatif dan enggan menjawab soalan kebenaran yang selebihnya, mengetepikan keputusan MR dan mengembalikan keputusan Mahkamah Tinggi: B

(1) MR telah terkhilaf dalam mengakas keputusan Mahkamah Tinggi. Mahkamah Tinggi telah dengan tepat dalam membenarkan tuntutan perayu untuk pelanggaran cap dagangan dan untuk kekelirupaan dan dalam mendapati bahawa pembelaan R terhadap pengimportan selari adalah tidak dapat dipertahankan (lihat perenggan 158). C

(2) Perayu-perayu tidak secara nyata atau tersirat bersetuju untuk R menjual semula produk pelanggaran di Malaysia. Tiada pertalian antara pihak-pihak untuk menjamin kewujudan sebarang persetujuan tersirat; sebaliknya, ia mengundang kekeliruan dan penipuan di kalangan pengguna kerana penjualan produk yang tidak dibenarkan. Tiada kehabisan hak cap dagangan perayu, sama ada tempatan atau antarabangsa. Persetujuan tersirat hanya boleh disimpulkan apabila fakta dan keadaan secara jelas menunjukkan bahawa pemilik cap dagangan telah meninggalkan haknya bertentangan dengan penempatan barang tersebut di pasaran dalam bidang kuasa di mana barang tersebut telah diimport (lihat perenggan 130–136). D E

(3) Hakim Mahkamah Tinggi tidak menemui keterangan bahawa A2 telah menghantar kepada R, *fried dace* dalam tin yang R telah beli di kedai runcit A2 di China. Hakim mendapati daripada keterangan bahawa wakil R, DW1, yang merupakan warganegara China, telah pergi ke kedai runcit tersebut untuk membeli produk yang kemudiannya dihantar kepada R oleh ejen R. Pengangkut dan syarikat penghantar yang menghantar barang ke R tiada kaitan dengan A1 atau A2 dan bukan ejen perayu. Pelabelan pada produk dengan jelas menunjukkan bahawa barangan tersebut tidak dimaksudkan untuk dijual di luar China. Hakim perbicaraan mendapati R telah mengaku menjual produk dengan tanda dagangan yang mana ia bukan pemilik berdaftar mahupun pengguna berdaftar. Walaupun produk pelanggaran telah dibeli secara pukal, itu dengan sendirinya tidak memberikan inferens bahawa perayu tahu bahawa barangan tersebut dibeli untuk dijual semula, dipasarkan dan diedarkan di Malaysia. Kesemua dapatan fakta ini, yang mana mahkamah ini tidak mendapati alasan untuk campur tangan, tidak pernah disangkal atau dibantah oleh MR dan tidak juga sebarang penjelasan diberikan sama ada hakim perbicaraan secara jelas salah dalam membuat dapatan tersebut (lihat perenggan 133–134). F G H I

(4) Penjualan import selari di Malaysia boleh dilarang jika barang yang dimaksudkan untuk dijual semula adalah berbeza secara material

daripada barang yang dibenarkan oleh pemilik cap dagangan untuk dijual di pasaran Malaysia. Dalam kes semasa, selain daripada fakta bahawa produk pelanggaran hanya dimaksudkan untuk dijual di China, produk tersebut secara material berbeza dari segi kandungan, kualiti dan pembungkusan daripada barangan yang dipasarkan oleh A3. Produk pelanggaran juga gagal mematuhi keperluan pelabelan di bawah Peraturan-Peraturan Makanan 1985 termasuk keperluan 'halal'. Kewujudan perbezaan ini, cenderung menimbulkan kekeliruan di kalangan pengguna, merupakan pelanggaran cap dagangan (lihat perenggan 144–146).

(5) Jawapan negatif bagi persoalan kebenaran (c) menjadikan persoalan kebenaran (d) (yang mengandaikan bahawa terdapat persetujuan yang sah, apabila fakta menunjukkan bahawa persetujuan tidak pernah diberikan) tidak relevan. Bagi isu yang dibangkitkan dalam persoalan kebenaran (e), (f) dan (g), ia tidak pernah dibangkitkan di hadapan hakim Mahkamah Tinggi. Dalam alasan penghakimannya, hakim bicara juga tidak menyatakan apa-apa tentang perkara pematuhan undang-undang makanan berhubung import selari. Oleh itu, mahkamah ini enggan menjawab persoalan kebenaran (d)–(g) (lihat perenggan 153–156).]

**Cases referred to**

*Colgate-Palmolive Ltd & Anor v Markwell Finance Ltd & Anor* [1989] RPC 497, CA (folld)

*Federal Hotel Sdn Bhd v National Union of Hotel, Bar & Restaurant Workers* [1983] 1 MLJ 175, FC (refd)

*Lever Bros Co v United States* 981 F2d 1330, CA (folld)

*PT Garudafood Putra Putri Jaya TBK, Re* [2019] 11 MLJ 396, HC (refd)

*Reckitt and Colman Products Ltd v Borden Inc and others* [1990] 1 All ER 873, HL (refd)

*Revlon Inc v Cripps and Lee Ltd* [1980] FSR 85, CA (refd)

*Sebago Inc v GB-Unic SA* (Case C-173/98) (refd)

*Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH* (Case C-355/96) (refd)

*Sinma Medical Products (M) Sdn Bhd v Yomeishu Seizo Co Ltd & Ors* [2004] 4 MLJ 358; [2004] 3 CLJ 815, CA (refd)

*Societe Des Produits Nestle, SA v Casa Helvetia, Inc* 982 F2d 633 (folld)

*Tien Ying Hong Enterprise v Beenion Sdn Bhd* [2010] 8 MLJ 550, HC (refd)

*Winthrop Products Inc & Anor v Sun Ocean (M) Sdn Bhd & Anor* [1988] 2 MLJ 317 (distd)

*Zino Davidoff SA v A & G Imports Ltd* [1999] RPC 631 (refd)

**Legislation referred to**

Customs Regulations 1977 (repealed by Customs Regulations 2019) reg 12(3)
Customs Regulations 2019 reg 23
Food Act 1983 ss 29, 30
Food Regulations 1985
Trade Marks Act 1976 (repealed by Trademarks Act 2019) ss 35, 35(1), 38(1), 40(1), (1)(d), (1)(dd), 48(5)
Trade Marks Ordinance 1950 (repealed by Trade Marks Act 1976) s 52(3)(a)
Trade Marks Act 1938 [UK] s 4(1), 4(3)(a), (3)(a)(i)

**Appeal from:** Civil Appeal No S-02(NCVC)(W)-543–03 of 2018 (Court of Appeal, Putrajaya)

*Lin Pei San (PS Lin Chambers) for the appellants.*
*Cham Ngit Shin @ Ronny Cham (Ronny Cham & Co) for the respondent.*

**Zabariah Yusof FCJ:**

**[1]** The appellants/plaintiffs appealed against the decision of the Court of Appeal which allowed the respondent's/defendant's appeal with costs of RM40,000 and set aside the High Court judgment which decided in favor of the appellants/plaintiffs.

**[2]** The appellants/plaintiffs obtained leave to appeal to this court on the following seven questions of law:

(a) will a brand proprietor/owner's trademark rights be exhausted worldwide even though the goods/merchandise in relation to which the trademark is used have been put on market by the brand proprietor/owner to be sold in a specific country/region/geographical area only for eg when it is clearly stated the goods/merchandise are 'to be sold in China only';

(b) whether the sale of parallel imports in Malaysia can be prohibited if the goods/merchandise purchased and intended to be resold are materially different from the goods/merchandise that the trademark proprietor/owner has authorised to be put on market in Malaysia;

(c) can the quantity of goods/merchandise purchased be used to determine if there's implied consent given by the manufacturer/brand proprietor/owner to sell the goods/merchandise purchased outside Malaysia to be resold in Malaysia;

(d) in the event the answer to question (c) above is 'yes', then can the consent be valid if the goods/merchandise purchased were put in market by the manufacturer/trademark proprietor/owner to be sold only in that specific country from which the goods/merchandise were purchased from;

A (e) whether goods/merchandise when purchased but not imported and/or does not comply with laws concerning importation amount to parallel importation;

(f) whether the law in Malaysia allows for food products to be sold even though it is not packaged according to the Food Regulations 1985 and/or Food Act 1983; and

B

(g) whether the implied consent and/or express consent given by the trademark proprietor/owner supersede the laws of Malaysia.

C **[3]** In this judgment, we will refer to the parties as they were in the High Court.

BRIEF FACTS

D **[4]** The plaintiffs' claim against the defendant is for loss and damages arising from an alleged trademark infringement and passing off of goods. In response, the defendant denied the claim and filed a counterclaim.

E **[5]** The first plaintiff (P1) is a leading China-based canned food manufacturing company. P1 owns the 'Eagle Coin' trademark, which is registered in China and in Malaysia, which is set out below:

F

G **[6]** The second plaintiff (P2) is a subsidiary of P1. It is involved in the manufacturing, importation and exportation of food products including canned food. P2 was assigned to use the 'Eagle Coin' trademark and sell products bearing the said trademark outside China.

H **[7]** The third plaintiff (P3) is a Malaysian company based in Sabah. It is in the business of distributing and selling food products including canned food. It is the sole authorised distributor of canned food products bearing the 'Eagle Coin' trademark in Malaysia since March 2008. P3 is the registered trademark user of the 'Eagle Coin' mark in Malaysia. The said registration is renewable annually.

I

**[8]** The defendant runs a supermarket business in Kota Kinabalu, Sabah, and sells sundry goods including food products.

**[9]** The plaintiffs' complaint against the defendant is that the defendant used the 'Eagle Coin' trademark on their canned fried dace products in the course of their trade in their supermarket in Kota Kinabalu, Sabah. By this, it was alleged that the defendant has infringed their trademark.

**[10]** The plaintiffs also pleaded that the defendant had utilised a mark on its products that is similar to the registered 'Eagle Coin' mark of P3 although the packaging, labels, and net weight of the products are different ('the infringing products'). By utilising the mark the way it did, the plaintiffs alleged that the defendant undertook an action of passing off.

**[11]** The infringing products with the 'Eagle Coin' trademark sold by the defendant are produced in China by P1 and P2 but the said products are not meant for distribution in Malaysia, and only restricted for sale in China. The defendant is alleged to have imported the infringing products directly from China and offered them for sale in Malaysia without authorisation from P1 or P2 and bypassing P3, the sole authorised distributor.

**[12]** The premise of the defence is that, the defendant purchased the infringing products directly from the retail outlet of P2 in China and shipped the same to its supermarket in Kota Kinabalu to be sold in Malaysia. Therefore, it contended that it did not infringe the 'Eagle Coin' trademark of the plaintiffs and instead raised the defence of parallel importation under s 40(1)(dd) of the Trade Marks Act 1976 ('the TMA').

**[13]** The defendant also filed a counterclaim. After receiving the plaintiff solicitors' notice to 'cease and desist', in order to mitigate loss, the defendant sold its remaining products with the 'Eagle Coin' trademark at discounted prices. After being served with the writ of summons, the defendant removed all the infringing products in question from its shelves. For this, the defendant sought damages in the sum of RM5,662.88 in its counterclaim against the plaintiffs.

PROCEEDINGS IN THE HIGH COURT

**[14]** The learned trial judge allowed the plaintiffs' claim. At the trial, His Lordship dealt with the following issues, namely:

(a) whether the defendant had infringed the 'Eagle Coin' trademark;

(b) whether there is merit in the defence of parallel importation raised by the defendant; and

(c) whether the defendant passed off the infringing products as the goods of the third plaintiff.

*Whether the defendant had infringed the 'Eagle Coin' trademark?*

**[15]** In determining whether there has been an infringement of trademark, the High Court considered the undisputed evidence that P1 as the registered user of the trademark had assigned to P3, the sole right to use the 'Eagle Coin' trademark in Malaysia. P3 tendered evidence that it has been registered as a 'user' under sub-s 48(5) of the TMA. The effect of being a registered user under sub-s 48(5) of the TMA is that, 'the use of that trademark by the registered user within the limits of his registration shall be deemed to be use by the registered proprietor of the trademark to the same extent as the use of the trademark by the registered user and shall be deemed not to be use by any other person'. Pursuant to sub-s 35(1) of the TMA, P3 is entitled to the rights provided under the said section which, in respect of any goods or services, provide P3 the exclusive right to use the mark.

**[16]** The learned High Court judge made findings that the defendant had knowledge that it was using P1's trademark because of the following evidence:

(a) there was admission by the defendant that in selling the canned fried dace that used the 'Eagle Coin' mark, in Malaysia, it was not sourced from P3, who is the exclusive distributor of the product and the sole registered user of the said mark in Malaysia;

(b) the defendant had previously ordered canned fried dace with the 'Eagle Coin' trademark from P3 for sale in its supermarket but ceased doing so because of the high price; and

(c) it is printed on the packaging of the 'Eagle Coin' trademark fried dace distributed by P3, that the P3 is the sole authorised distributor of the product of P1.

Therefore, it is impossible for the defendant to deny knowledge that P3 is the sole authorised distributor of the products of 'Eagle Coin' trademark. P3 asserted that the defendant is not their authorised distributor in Malaysia.

**[17]** Given the aforesaid, the learned High Court judge held that the defendant had infringed upon the exclusive rights of the plaintiffs to use the mark.

*Whether the defence of parallel importation has merit?*

**[18]** The defendant argued that the products did not infringe the trademark rights of the plaintiffs because they were sourced from the retail outlet of P2 in China and therefore fell under the description of 'parallel import'. The defendant contended that parallel importation of goods is not illegal in

Malaysia and reliance was placed on the case of *Winthrop Products Inc & Anor v Sun Ocean (M) Sdn Bhd & Anor* [1988] 2 MLJ 317 (*Winthrop*). A

**[19]** As the defendant had raised the defence of parallel importation under sub-s 40(1)(dd) of the TMA, the learned High Court judge considered the law in relation to the said section and ruled that in raising the defence of 'parallel import' by the defendant, it is incumbent on the defendant to prove the critical element of an express/implied consent from the owner of the trademark as required under the same. B

**[20]** On the facts of the instant case, His Lordship held that there is no evidence (be it direct or circumstantial), of the presence of the element of consent that is essential to sustain the defence of parallel importation. C

**[21]** Apart from the absence of consent, the infringing products which were imported by the defendant to be sold in Malaysia were not meant to be sold in Malaysia as its sale was restricted to the China market only. The facts also show that the labelling of the infringing products, which were imported by the defendant, failed to comply with the requirements under Malaysian laws. These facts present a sharp contrast to the facts in *Winthrop* where there is no territorial restriction on the packaging of Panadol bought in the UK. Significantly, the plaintiffs in *Winthrop* were found to have impliedly consented to the use of the trademark by the manufacturers of the Panadol in the UK which had found its way into the Malaysian market. They all belong to the same corporate group. D E F

**[22]** Hence, the learned High Court judge held that the defence of parallel importation fails. Therefore, the trademark rights of the plaintiffs had been infringed by the defendant. G

*Whether the defendant passed off the fried dace that it sold as the goods of the third plaintiff?*

**[23]** Concerning the claim by the plaintiff on passing off, P3's case is that the defendant misled the public into thinking that the fried dace with the 'Eagle Coin' trademark put up for sale by the defendant, was the same product marketed by P3. H

**[24]** The witness for P3 testified that the fried dace sold by his company complied with Malaysian law including the 'halal' requirement whereas the infringing products sold by the defendant did not. However, as both bore the same distinctive 'Eagle Coin' trademark on the packaging, the public had been misled into assuming that it is the same product that is marketed by P3 as the sole authorised distributor in Malaysia. It was established at trial that the I

infringing products sold by the defendant, despite the common origin, is not the same as the product that is being sold by the plaintiffs as the defendant's infringing product does not comply with the requirements of Malaysian law.

**[25]** The learned High Court judge found the essential elements as propounded in the case of *Reckitt and Colman Products Ltd v Borden Inc and others* [1990] 1 All ER 873, where Lord Oliver in the House of Lords laid down the following three essential elements of the tort of passing off (followed in the Court of Appeal case of *Sinma Medical Products (M) Sdn Bhd v Yomeishu Seizo Co Ltd & Ors* [2004] 4 MLJ 358; [2004] 3 CLJ 815) had been proved by the plaintiffs:

(a) that the plaintiffs have goodwill attached to the business regarding the mark used by the plaintiffs in respect of the plaintiffs' goods or services;

(b) that the defendant has misrepresented to the public by using a mark which is likely to confuse or deceive the public to believe that the defendant's goods or services are that of the plaintiffs; and

(c) that there is a likelihood of damage to the plaintiffs due to the defendant's misrepresentation.

**[26]** In the premises, the reputation of P3 would be damaged if Malaysian customers confused the source of the defendant's product because of the common identical trademark. Therefore, the plaintiffs have also succeeded in establishing the claim under the tort of passing off.

**[27]** Hence, judgment was entered in favour of the plaintiffs on the claim of infringement of trademark and for the tort of passing off. The counterclaim by the defendant was accordingly dismissed.

## PROCEEDINGS IN THE COURT OF APPEAL

**[28]** As we have alluded to earlier, the Court of Appeal allowed the appeal by the defendant and set aside the judgment of the High Court with costs of RM40,000. The Court of Appeal however, did not make any order on the counterclaim of the defendant. Neither were there any grounds of judgment from the Court of Appeal.

**[29]** In any event, the grounds of appeal by the defendant at the Court of Appeal were premised on the following:

(a) that when the defendant through their agent went to the retail store in China to purchase the infringed products, there is implied consent given by P2 through the retail stores that they can re-sell the infringed products purchased in Malaysia; and

(b) with the existence of implied consent given by the P2, it falls under the meaning and principles of the law on parallel importation as stated in the case of *Winthrop*.

**[30]** Although there are no reasons proferred by the Court of Appeal as to why the appeal was allowed, the plaintiff in their written submissions (encl 28), at para 4.2 submitted that the Court of Appeal via their brief oral grounds mentioned that they have considered the quantity of the infringing products (which consisted of 720 cans of fried dace without salted bean and 1,200 cans of fried dace with salted bean) purchased by the defendant, and the panel of the Court of Appeal were satisfied that there was implied consent given by the plaintiffs to the defendant for re-selling purposes. In other words, this was the sole basis of the Court of Appeal in accepting that the defendant had proved its defence of parallel importing.

PROCEEDINGS IN THE FEDERAL COURT

*Submission by the plaintiffs*

**[31]** In addressing question 1, the plaintiffs submitted that, on the facts, the infringing products purchased by the defendant from China are different in quality and packaging from the plaintiffs' goods in the Malaysian market and there was no exhaustion of the plaintiffs' trademark rights, nor had the plaintiffs consented (expressly or impliedly) to the resale of the infringing products in Malaysia.

**[32]** The plaintiffs asserted that most jurisdictions allow parallel imports following the principle of exhaustion of intellectual property rights upon the sale of the goods bearing the trademark in question. However, there is a distinction between national and international exhaustion of the intellectual property rights. The former allows national resale of the goods while the latter allows resale in countries other than the country of origin.

**[33]** Currently, there is no international treaty in the field of trademarks compelling any form of standard of national or international exhaustion. Neither has it been addressed by the Paris Convention.

**[34]** Subsection 40(1)(d) of the TMA, provides for instances where parallel importation does not constitute trademark infringement. Specific to sub-s 40(1)(dd) of the TMA, for the defence of parallel importation to succeed, there must be consent (be it express or implied) from the registered owner of the trademark.

**[35]** The case of *Winthrop*, relied heavily by the defendant can be

distinguished from its facts with our present appeal, where in *Winthrop*, there was no territorial restriction on the sale of the goods. In the present appeal there was restriction for the goods to be sold outside China so there cannot be implied consent from the trademark proprietor or trademark user.

**[36]** Another distinguishing factor is that in *Winthrop*, one of the defendants was an existing customer of the plaintiffs who knew that the defendant was an exporter of the goods so the court could infer there was implied consent to reselling, whereas here the defendant was neither an existing customer of P2 nor a known exporter/distributor of 'Eagle Coin' products for consent to be implied or deemed.

**[37]** *Winthrop* followed the ratio in the case of *Revlon Inc v Cripps and Lee Ltd* [1980] FSR 85 (*Revlon*) on the issue of consent where the facts bears some similarities to the facts in *Winthrop.*

**[38]** The plaintiffs referred to the English case of *Colgate-Palmolive Ltd & Anor v Markwell Finance Ltd & Anor* [1989] RPC 497 (Colgate-Palmolive), where the court found there was an absence of express consent and refused to infer any implied consent as there were attempts to prevent the import of the Brazilian goods to the UK. This was especially so, where the goods produced in Brazil were of lower quality compared to the goods made in the UK due to the significant difference in the formulation of the toothpaste, and this would create a misrepresentation to consumers as to the quality of the goods marketed by the plaintiff.

**[39]** These principles are similar to the position adopted by the European Court of Justice (ECJ) in dealing with exhaustion of rights within the member states. Cases from the ECJ show that trademark rights cannot be exhausted worldwide and would only be exhausted nationally if the imported goods were also placed on the national market by the registered proprietor/owner of the mark with their consent (see the cases of *Silhouette International Schmied GmbH & Co KG v Hartlauer Handelsgesellschaft mbH* (Case C-355/96); *Sebago Inc v GB-Unic SA* (Case C-173/98)).

**[40]** Consent can only be implied if it can be shown from the facts and circumstances of the case at the time the goods were placed in the market elsewhere that the trademark proprietor has unequivocally renounced their right to oppose the placing of the goods on the market within the jurisdiction where the goods are imported to (see *Zino Davidoff SA v A & G Imports Ltd* [1999] RPC 631).

**[41]** In summary, the ECJ cases demonstrates that a trademark proprietor's rights cannot be exhausted worldwide. It cannot even be exhausted nationally,

unless the goods imported from the outside jurisdiction were also placed nationally by the trademark proprietor or owner or with their consent.

**[42]** This is also in line with the position taken by the International Trademark Association, which advocates worldwide exhaustion should not apply to parallel import in the absence of clear proof that the trademark owner consented to such imports.

**[43]** In our present case, with the existence of the expressed restrictions on the packaging of the infringing goods bearing the registered trademark of the proprietor's that restricts sale outside China, there cannot be worldwide exhaustion of the plaintiffs' trademark rights. In addition, the infringing products are not the same as the products sold by the plaintiffs in Malaysia in terms of quality and packaging. The infringing products also do not comply with the standard, technical rules, and labelling regulations under the Food Act 1983 which imposes compulsory labelling and shelf life on the packaging.

**[44]** The plaintiffs submitted that question (a) ought to be answered in the negative and the appeal should be allowed.

**[45]** In answering question (b), the plaintiffs submitted that it is not unusual for a company to produce different goods for different markets under the same trademark.

**[46]** The International Trademark Association recommends some jurisdictions adopt a 'material differences' standard to exclude parallel imports that are materially different from those products authorised for sale by the trademark proprietor/owner in the domestic market. This is the approach that appears to have been adopted by the High Court in *Re PT Garudafood Putra Putri Jaya TBK* [2019] 11 MLJ 396.

**[47]** The position in US is such that parallel imports are not unlawful per se. Once a trademark owner releases its products into the market, it cannot prevent the subsequent resale of those products by others. However, the sale and distribution of parallel imports that are 'materially different' from goods authorised for sale in the US constitutes trademark infringement. In support of this proposition, the plaintiff referred to the case of *Societe Des Produits Nestle, SA v Casa Helvetia, Inc,* 982 F2d 633 (1st Cir, 1992) where the US Federal Court of Appeals held that the registered proprietor of the trademark ought to be protected against the importation of the gray goods, namely, trademarked goods manufactured abroad under a valid license but brought into this country in derogation of arrangements lawfully made by the trademark holder to ensure territorial exclusivity. It was held that even a single material difference creates a presumption that the gray goods have a potential to mislead or confuse

consumers about the nature or quality of the product.

**[48]** The case of *Lever Bros Co v United States* 981 F2d 1330 (DC Cir 1993) is instructive where the US Court of Appeals for the District of Columbia prohibited the importation of physically different foreign goods bearing a trademark which was identical to a valid US trademark, regardless of the trademark's genuine character abroad or affiliation between the producing firms. The court went on to hold that the affiliation between the producers in no way reduces the probability of substantial consumer confusion and deception in the US about the nature and origin of the goods.

**[49]** In the *Colgate-Palmolive*'s case, the court held that the 'goodwill' of 'Colgate' had been damaged by the importation of inferior 'Colgate' products. In the US which applies the 'first-sale doctrine' (where the trademark owner cannot prevent the subsequent re-sale of its goods by others), the sale and distribution of parallel imports that are materially different from the goods authorised for sale within the US, would cause confusion and would constitute trademark infringement. The plaintiffs submitted that this should be adopted in cases of parallel imports in Malaysia, as the fact that both goods come from the same manufacturer is irrelevant as the probability of confusion exists.

**[50]** In our present case, it was agreed, apart from the expressed territorial restriction of sale on the packaging, the products offered for sale by the defendant are materially different in terms of contents, quality and packaging. In addition, it failed to comply with the legislations pertaining to food for sale in Malaysia.

**[51]** Therefore, for question (b) it is submitted that this court ought to answer it in the affirmative.

**[52]** For question (c), the plaintiff submitted that, implying consent from the brand proprietor/trademark owner through bulk quantity purchased by the defendant is a false premise because consent does not just extend to the act of reselling but where the products can be resold.

**[53]** Due to the territorial restriction on the packaging, the bulk purchase by the defendant can only be used to infer that the purchase was to be resold in other areas within China so the consent of the appellants, if any, must be restricted to reselling in China only.

**[54]** The territorial restriction on the packaging meant that there was objection for the goods to be sold outside China, therefore, it would be absurd to rely on the sheer quantity of the purchase to imply consent to importing the

goods into Malaysia for reselling. For consent to be implied, it must be shown that there was a clear renunciation of rights by the manufacturer/brand proprietor/trademark owner.

**[55]** Hence, question (c) ought to be answered in the negative.

**[56]** For question (d) it ought to be answered in the negative. Consent cannot extend to reselling outside of China for the reasons above under question (c).

**[57]** For question (e) it ought to be answered in the negative. What technically amounts to parallel importation may not be authorised when it does not comply with the laws of the country where the goods were imported into. The following legislations were not complied with, in this case:

(a) reg 12(3) of the Customs Regulations 1977 (now embodied in reg 23 of the Customs Regulations 2019) requires an importer to be able to produce on demand by the customs officer all documents in his possession relating to the origin and destination of his goods;

(b) s 30 of the Food Act 1983 provides that no manufacturer/distributor/dealer in food products shall sell food unless it gives a written warranty/statement that the food complies with the provision of the Act or any regulations made thereunder;

(c) s 29 of the Food Act 1983 prohibits the importation of any goods that do not comply with the requirements under the Act or any regulations thereunder. This includes specific requirements in relation to standards, packaging and labelling under the Food Regulations 1985; and

(d) the food products exported out of China for resale overseas must be accompanied by a sanitary certificate issued by the entry-exit inspection and quarantine of the People's Republic of China in compliance with the exporting laws of China.

**[58]** In this case, even if the goods are genuine products, the defence of parallel importation cannot be relied upon in a trademark infringement action where the importation of the goods do not comply with the laws on importation.

**[59]** For question (f) it ought to be answered in the negative.

**[60]** In Malaysia, compliance with the Food Act 1983 and its subsidiary legislation ie the Food Regulations 1985 is mandatory unless it relates to food meant to be exported. Therefore, the respondent cannot resell the infringing products in Malaysia as the same does not meet the requirements under

Malaysian laws and Malaysian standards, thus to resell the same would put the appellants' reputation and goodwill at stake. Question (g) ought to be answered in the negative.

**[61]** Consent of the trademark proprietor/owner cannot be used to circumvent compliance of any mandatory statutory requirement in the absence of any statutory provisions which allow this (see *Federal Hotel Sdn Bhd v National Union of Hotel, Bar & Restaurant Workers* [1983] 1 MLJ 175).

**[62]** Even if there was consent, the laws of Malaysia cannot be superseded as this would amount to importation and selling of illegal goods.

**[63]** Hence, the plaintiffs submitted that the High Court did not err and the Court of Appeal had erroneously interfered with the findings of the learned High Court judge without any justification. The appeal should be allowed, the HC decision reinstated with costs here and below to the appellants.

*Submissions by the defendants*

**[64]** Question (a) relates to goods/merchandise bearing the same trademark were sold in the market. It is submitted that parallel importation relates to goods bearing the same trademark and not where such goods were sold. The goods bought by the defendant in China and the goods sold by the defendant's retail shop in Malaysia bears the same trademark owned by P1. There is no question of infringement of the trademark, it is a question of P3 (who is the exclusive distributor), the registered user being infringed by P1 and P2. P3 cannot complain of any infringement or passing off when P3 knew that it was P1 authorising P2 to sell the trademarked goods to the defendant without regards to his exclusive rights of use of the trademark in Malaysia.

**[65]** The learned trial judge had misdirected himself in law and in fact when he failed to take into consideration or otherwise give due appreciation to the pleaded facts and evidence that the infringing products bearing the 'Eagle Coin' trademark were sold to the defendant by 'Eagle Coin' trademark holder in China and in Malaysia, namely P1 through P2 who was assigned by P1 to use 'Eagle Coin' trademark to sell the infringing goods outside China, irrespective of whether the infringing products bearing the 'Eagle Coin' trademark was for sale in China or in Malaysia.

**[66]** On question (b), the defendant took the position that the 'parallel imported' goods/merchandise must bear the same trademark and this is not in dispute.

**[67]** On question (c), the quantity of the goods does not matter. The defence

of parallel importation is invoked when goods purchased outside Malaysia are sold in Malaysia with the implied consent of the brand owner. In this case the defendant took the position that there was implied consent when P2 sent the goods to the defendant in Malaysia to be sold in the Malaysian market.

**[68]** On question (d), it is submitted that it does not matter whether the goods/merchandise were meant for sale in China only, since parallel importation relates to the use of trademarks.

**[69]** On questions (e), (f) and (g) it is submitted that these were not issues before the Court of Appeal and these questions attempt to re-write the law on parallel importation.

**[70]** In summary, the defendant submitted that, in the Court of Appeal, the defendant was able to persuade the court that the element of consent could be clearly seen from the unchallenged contemporaneous documents adduced at trial, ie P2's invoicing, packaging, labelling and sending of the goods to the defendant in Sabah, Malaysia between September 2016 to November 2016. Consent, express or implied is therefore proved.

**[71]** Since there are no grounds, it is inferred that the Court of Appeal agreed with the defendant and allowed its appeal on the basis that there was evidence of the presence of consent, an essential element for the defendant to mount the defence of parallel importation.

**[72]** The defendant submitted that the Court of Appeal exercised its appellate jurisdiction appropriately. The Court of Appeal was perfectly entitled to find that there were facts and evidence of consent, either express or implied. The Court of Appeal did not err when it decided on the question of law that sub-s 40(1)(dd) of the TMA, which does not differentiate between goods bearing the same trademark when the goods are manufactured for sale in one place and parallel imported for sale in another place as long as there was consent, express or implied, from the trademark owners.

**[73]** The Court of Appeal rightly held that the High Court erroneously read into sub-s 40(1)(dd) of the TMA the requirement of 'restriction' and had wrongly distinguished the facts of this case from that of *Winthrop*. Since the Court of Appeal accepted the defendant's argument, the Court of Appeal must have rejected the plaintiffs' submissions and the plaintiffs would find it hard to adopt similar submissions here before this court. All authorities concerning infringement of trademarks are irrelevant here. Once the defence of parallel importation has been proven, all the authorities on passing off would also be irrelevant.

**[74]** Based on the aforesaid, the defendant summed up that the seven questions of the plaintiffs posed before this court are irrelevant to the actual issues decided by the Court of Appeal.

OUR FINDINGS

*The law on the use of a registered trademark*

**[75]** Subsection 35(1) of the TMA 1976 provides that the registered proprietor of a trademark has the exclusive right to use the trademark, and also the right to prevent other persons (not being registered users) from using the trademark or any mark similar to it.

**[76]** Section 38(1) of the TMA 1976 provides that:

> (1) A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or registered user of the trade mark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken either — ...

**[77]** Essentially, it means that no one else can use a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trademark is registered.

**[78]** Subsection 48(5) of the TMA provides protection for registered user of the said trademark, which reads:

> (5) Where a person has been registered as a registered user of a trade mark, the use of that trade mark by the registered user within the limits of his registration shall be deemed to be use by the registered proprietor of the trade mark to the same extent as the use of the trade mark by the registered user and shall be deemed not to be use by any other person.

Registered user therefore has the same rights to the trademark within the limits of registration.

**[79]** In our case, it is undisputed that:

(a) P1 is the registered owner/proprietor of the 'Eagle Coin' trademark registered in China and Malaysia;

(b) P2, which is the subsidiary of P1, was assigned to use the 'Eagle Coin' trademark and sell the products bearing the said trademark outside China;

(c) P3, a company based in Sabah, is the sole authorised distributor of food products bearing the 'Eagle Coin' trademark since March 2008; and

(d) P3 is also the registered user of the said trademark in Malaysia.

**[80]** In our view, it is clear that the defendant does not fall under any of the above categories.

*The law on 'parallel import'*

**[81]** The defence of the defendant is that there is no infringement of trademark but it is a case of 'parallel import' and that it has implied consent from the plaintiffs under sub-s 40(1)(dd) of the TMA.

**[82]** In the *Malaysian Halsbury* (Vol 22, 2007) Reissue (Intellectual Property) para 520.600 'Parallel Import' is legally described as:

> ... strictly the importation and sale by others of goods originating from the owner of industrial rights in parallel with his own importation of such goods, whether carried out by himself or through authorised agents, but is used more generally to describe the importation and sale by third persons of goods obtained in another country which originate from an internationally known company or group.

**[83]** In simple terms, parallel imports are goods that are imported into and sold in a particular country, territory or market without the express permission of the brand owners in that country. Parallel imports are not counterfeit products as they originated from the same brand owner or its group of companies. Parallel imports which are often referred to as 'gray products' are, more often than not, implicated in issues of international trade, and intellectual property. The High Court in *Tien Ying Hong Enterprise v Beenion Sdn Bhd* [2010] 8 MLJ 550 held that parallel imports are goods which are lawfully manufactured overseas but imported and distributed in Malaysia by a person other than the registered proprietor of the trademark.

**[84]** In dealing with parallel imports, sub-s 35(1) TMA plays a significant role. In the case of parallel importer, he may import and sell the products bearing the trademark, although he is not the registered proprietor of the trademark. Given the provision of sub-s 35(1) of the TMA, can it be said that there is an infringement of trademark by the parallel importer?

**[85]** Although sub-s 35(1) TMA confers on the registered proprietor, the

exclusive right to the use of the trademark in relation to the goods applied for, it is to be read subject to the provisions of the TMA. In this respect, sub-s 40(1) of the TMA is relevant where it provides for the defences to a claim of trademark infringement, which reads:

> 40 Acts not constituting infringement
>
> (1) Notwithstanding anything contained in this Act, *the following acts do not constitute an infringement of a trade mark* —
>
> (a)–(c) ...
>
> (d) in relation to goods connected in the course of trade with the registered proprietor or a registered user of the trade mark if, as to those goods or a bulk of which they form part, the registered proprietor or the registered user in conforming to the permitted use has applied the trade mark and has not subsequently removed or obliterated it;
>
> (dd) the use by a person of a trade mark in relation to goods or services to which the registered proprietor or registered user has at any time *expressly or impliedly consented* to;
>
> (e)–(f) ... (Emphasis added.)

**[86]** Subsection 40(1)(dd) of the TMA was inserted vide Amendment Act A881 in 1994, ie after the decision in *Winthrop* which allowed parallel importing even without express consent of the registered proprietor, save and except in situations where there are contractual restrictions.

**[87]** The defendant in our present appeal, relied on the defence under sub-s 40(1)(dd) of the TMA. Subsection 40(1)(dd) of the TMA provides that once the registered proprietor or registered user has expressly or impliedly consented to another, to use the trademark in relation to certain goods, and the goods are then placed on the market, the registered proprietor cannot control further dealings with the goods.

**[88]** The defendant also placed heavy reliance on the ratio in *Winthrop* to support its defence of parallel import, where it was argued that its conduct and the mode of importing and distributing the goods as transacted by the defendant falls within the defence of 'parallel imports' and that there was implied consent by P2. Therefore, it is crucial to understand the reasoning behind the decision of *Winthrop*. We need to assert at the outset, that *Winthrop* does not concern sub-s 40(1)(dd) of the TMA but rather sub-s 52(3)(a) of the Trade Marks Ordinance 1950, which is in pari materia to s 4(3)(a)(i) of the English Trade Marks Act 1938. For clarity we reproduced the said s 4(3)(a) of the UK Trade Mark Act 1938 of the which provides:

...

The right to the use of a trade mark given by registration as aforesaid shall not be deemed to be infringed by the use of any such mark as aforesaid by any person:

(a) in relation to goods connected in the course of trade with the proprietor of a registered user of the trade mark if, as to those goods or a bulk of which they form a part, the proprietor or the registered user had applied the trade mark and has not subsequently removed or obliterated it, or has at any time expressly or impliedly consented to the use of the trade mark.

**[89]** *Winthrop* involved the trademark 'Panadol' for which a well known analgesic is sold. The owner of the trademark:

(a) in the United States of America (USA) is Sterling Drug Inc;

(b) in the United Kingdom (UK), is Sterling Winthrop Group Ltd; and

(c) in Malaysia is Winthrop Products Inc, a company incorporated under the laws of State of Delaware, USA. Winthrop Products Inc has registered rights of the mark in the UK.

**[90]** The second plaintiff is registered in Malaysia as the sole registered user of the mark. All the aforesaid corporations are related companies. Lifting the corporate veil revealed that these corporations are all members of a group of companies that function on a worldwide basis. The parent company is Sterling Drug Inc of the USA. The worldwide activities of the group are carried out by sub-groups, each functioning in different geographical areas. The various corporations in the group, namely that of the Malaysian, British and the American companies referred to herein, can be traced to Sterling Drug Inc.

**[91]** It was in evidence that the first plaintiff, Winthrop Products Inc and the British company Sterling Winthrop Group Ltd are both wholly owned by Sterling Drug Inc. It is an undisputed fact that the second plaintiff, Sterling Drug (M) Sdn Bhd's ownership can be traced back to Sterling Drug Inc.

**[92]** The analgesic blue pack Panadol had been imported into Malaysia by the second defendant, Maltown Ltd and was being sold in Malaysia through the first defendant, Sun Ocean (M) Sdn Bhd.

**[93]** The first and the second plaintiffs took an action against the defendants for trademark infringement. Both the plaintiffs were owned by the parent company, Sterling Drug Inc. The evidence disclosed during trial was that the defendants had obtained the goods directly from Sterling Winthrop Group Ltd (another UK subsidiary of the ultimate holding company, Sterling Drug Inc) and occasionally from a British wholesaler, Chemisave to which Sterling Winthrop Group Ltd supplies to.

**[94]** The plaintiffs' complaint against the defendants was that the second defendant's importation and sale into Malaysia of the blue pack Panadol which they obtained from the British domestic market through the first defendant, infringes the first plaintiff's proprietorship and the second plaintiff's user rights in the Panadol trademark. It was also contended that the defendants, by putting the blue pack Panadol into the Malaysian market had practiced deception on the Malaysian public that amounts to passing off the blue pack Panadol as being that of the plaintiffs.

**[95]** VC George J (as he then was) held, inter alia, that where a parent company (or a group of companies) chooses to manufacture and sell through a subsidiary or related companies in different parts of the world products which bear the same trademark, the registered owner in Malaysia could not object to the importation and distribution of such imported goods in Malaysia. His Lordship held that the 'registered owner and registered user in Malaysia can be said to have impliedly consented to the said acts, so that the holder of the goods acquires the absolute ownership of the goods including the right to sell the goods in any part of the world in the same condition in which they were disposed of'.

**[96]** In contrast, the case of *Tien Ying Hong* held that parallel importation of goods without the consent of the registered proprietor amounted to trademark infringement. The plaintiff in *Tien Ying Hong* is the registered proprietor of the trademark of 'SEIZAIKEN' under the TMA, who is in the business of distributing and selling batteries for watches and clocks as well as watches and clock parts.

**[97]** The defendant imported its batteries marked with 'SEIZAIKEN' from Star (Far East) Ltd, a company based in Hong Kong, which obtained the batteries from Seiko Instrument Inc in Japan, which is the lawful manufacturer and owner.

**[98]** The plaintiff instituted an action against the defendant which had been importing and selling watch batteries in Malaysia under the name of 'SEIZAIKEN'. The defendant relied on sub-s 40(1)(d) of the TMA to assert that parallel imports are not prohibited under the TMA. Reference was also made to *Winthrop*.

**[99]** The facts show that the plaintiff had never appointed the defendant to be a distributor of the plaintiff's batteries bearing the trademark 'SEIZAIKEN'. Seiko Instrument Inc, the owner of the trademark 'SEIZAIKEN' in Japan, however, has no economic or legal relationship with the plaintiff. The defendant denied infringement and argued that as the batteries it imported and sold in Malaysia were manufactured by Seiko

Instrument Inc, the lawful owner of the 'SEIZAIKEN' mark in Japan, the goods were genuine and not imitation nor were they pirated products and the mode of importing and distributing the 'SEIZAIKEN' batteries as transacted by the defendant falls into the legal description of 'parallel import'. As the purchaser from the lawful manufacturer of the 'SEIZAIKEN' batteries in Japan, the defendant was legally entitled to parallel import them into Malaysia, and therefore its act should not result in infringement of the plaintiff's trademark. It was held that the plaintiff was unrelated to Star (Far East) Ltd and to Seiko Instruments Inc of Japan, and the ratio of *Winthrop* did not apply to the facts of *Tien Ying Hong*.

**[100]** In *Winthrop,* the plaintiff and the defendant were subsidiaries of the same corporate group and, as such, although there was no express consent, the plaintiff was deemed to have impliedly consented to the importation of the products in question. In *Tien Ying Hong*, the plaintiff has no connection or association with Seiko Instrument Inc or even the supplier from Hong Kong.

**[101]** It was held in *Winthrop* that there was nothing to stop the plaintiffs from exporting their products out of UK, or any traders for that matter, once the products were put on sale other than any contracting restrictions that there may be imposed, though on the facts, there were none. The court went on to hold that where a member of an international group applied a trademark to goods, a purchaser of the trademarked goods was entitled to presume that he would not be sued by any other member of the group simply of the basis of the place of manufacture of the product. By putting the product into the market in the UK elsewhere by related companies, the plaintiffs had impliedly consented so that the holder of the goods acquires absolute ownership of the goods including the right to sell the goods in any part of the world in the same condition in which they were dispose of.

**[102]** A significant factor present in *Winthrop* is that, there was no restriction in the agreement entered between the plaintiff and the manufacturer limiting the sale of Panadol to domestic use in UK only. The court decided that the exhaustion defence applied when the goods parallelly imported by an independent third party were manufactured and put on the market in a foreign country by an associated or related company of the plaintiff trademark owner, even if the importation of the goods were carried out without the consent of the registered trademark owner. It was in that context that the consent was held to be implied.

**[103]** The court in *Tien Ying Hong* had distinguished the facts with *Winthrop.* In *Tien Ying Hong*, there is no nexus between Seiko Instrument Inc or, even the supplier from Hong Kong. The court in *Tien Ying Hong*, emphasised the significance of s 35 of the TMA which confers on the registered proprietor of

'SEIZAIKEN' trademark, the sole and exclusive right to sell and distribute the goods bearing that trademark in Malaysia and pursuant to s 38 of the same, no one else had the right to import, sell or advertise for sale such batteries in Malaysia without the prior permission of the plaintiff. It was held that parallel imports are permitted only if the registered proprietor of the trademark consented to the importation, distribution and sale in Malaysia. Neither can the consent be implied as the Japanese manufacturer and supplier of the imported batteries were not related or associated with the plaintiff company. It was held that the issue of implied consent to use the trademark does not arise.

**[104]** However, it is interesting to note that, the defendant in *Tien Ying Hong* relied on sub-s 40(1)(d) in its defence, not sub-s 40(1)(dd) of the TMA. *Tien Ying Hong* was decided in 2010, after the amendment to sub-s 40(1) was made in 1994 when sub-s 40(1)(dd) was inserted.

**[105]** Subsection 40(1)(d) is premised on a situation when 'the registered proprietor or the registered user in confirming to the permitted use has applied the trademark' to the goods which were the subject matter of the litigation. In *Tien Ying Hong* there was never any allegation that the goods were manufactured, and the 'SEIZAIKEN' trademark applied by the plaintiff or the registered proprietor. It was Seiko Instrument Inc, the owner of 'SEIZAIKEN' trademark in Japan, who applied the trademark in question. It appears that sub-s 40(1)(d) as relied upon by the defendant in *Tien Ying Hong*, has no relevance. The defendant therein could have mounted its defence based on sub-s 40(1)(dd) as the defendant's stand then was where 'the registered proprietor or registered user has at any time expressly or impliedly consented' to the use of the mark by a third party, even though they had not applied the trademark themselves. Such defence would be applicable if the defendant could proved that the plaintiff and Seiko Instrument Inc, the entity which applied the mark, had economic or legal relationship for the court to infer some kind of consent to the use of the trademark. However, as the facts showed, Seiko Inc, the entity which applied the mark, had no economic or legal relationship with the plaintiff, hence, there cannot be any implied consent to the use of the mark coming from the plaintiff, if *Winthrop* is to be relied upon. Therefore, even if the defence of exhaustion under sub-s 40(1)(dd) TMA was invoked, it would also failed premised on the facts of the case.

**[106]** VC George J in *Winthrop* relied on *Revlon* which dealt with the ambit of s 4(3)(a) of the UK Trade Marks Act 1938 (which is in *pari materia* to sub-s 52(3)(a) of the Trade Marks Ordinance 1950 and substantially similar to our present sub-s 40(1)(d) and (dd) TMA).

**[107]** *Revlon* is the leading case regarding the principle that if the mark has been applied overseas by a company which is part of the same corporate group

as the local trademark owner, then it is no infringement of the local trademark for a third party to import goods bearing the mark. Here, Revlon Inc was the parent company of the Revlon Group of international companies which manufactured and marketed cosmetics and toiletries in the United States. Revlon Suisse SA (a subsidiary of the parent company) was the registered proprietor of the United Kingdom trademark in question. There was a subsidiary incorporated in Venezuela which manufactured the goods for the British market. Another subsidiary, incorporated in New York marketed the goods in the United Kingdom. Both the subsidiaries enjoyed registered user agreements in respect of the trademark. The parallel importer had sourced cheap stocks from a line marketed which has been discontinued by Revlon Inc in the United States. Revlon Group alleged that the parallel importer had infringed their registered trademark. It was argued by the Revlon Group that it was entitled to control the use of its trademark in the United Kingdom, meaning that it was entitled to make a profit from selling the goods in the United States without any restriction as to their export but they are entitled to obtain an injunction against the innocent third party which had purchased them so as to export them into the United Kingdom. There was nothing to indicate on the packaging of Revlon Flex products that the defendants had obtained from the US that the products were not to be exported out of US or that otherwise there were restrictions imposed in respect of the sale of these products.

**[108]** The Court of Appeal was unanimous in finding that the Revlon products was able to be imported to the United Kingdom market without infringing s 4(1) because of the provisions of s 4(3)(a) of the Trademarks Act 1938 (UK).

**[109]** Buckley LJ held that it could not be said that the registered proprietor had applied the trademark to the goods, because the actions of the principal (Revlon Inc) could not be said to be those of the registered proprietor of the trademark, its subsidiary (Revlon Suisse SA). He therefore, held that the first portion of the para in s 4(3)(a) which reads '... the proprietor ... *had applied the trade mark* and has not subsequently removed or obliterated it ...' is not applicable. However, he was satisfied that the subsidiary must be taken to have *consented* to the principal's use of the trademark because of the nexus between them and that the second portion of s 4(3)(a) which reads '... has at any time expressly or impliedly consented to the use of the trade mark'. Bridge LJ concurred with Buckley LJ.

**[110]** Templeman LJ, however regarded the registered proprietor of the trademark (Revlon Suisse SA) as having applied the mark to the goods within the meaning of s 4(3)(a) simply because of its relationship with its parent. This proposition appears to have disregarded the distinct legal entity between the

principal and its subsidiaries and a willingness to lift the multi-national corporate veil. He regarded the Revlon Group of companies as one collective corporate entity regardless of technical legal distinction between them.

**[111]** The apparent result of the *Revlon* is that the courts would not permit the use of UK registered trademark to prevent the importation of goods bearing a particular trademark where these goods were originally marketed by a branch or subsidiary of which the UK registered proprietor or registered user was part of. This was not achieved by finding the use of the imported goods as being used by the proprietor or registered user, but rather, finding the use as having been connected to, by the registered proprietor.

**[112]** It therefore, follows that, in the absence of consent by the proprietor or registered user and the trademark had been applied by an independent licensee, a parallel importer could be restrained. The important factor in *Revlon* regarding consent was the lack of any express agreement prohibiting the export of their product. Although it may be difficult to see how the overseas manufacture by the parent company could be treated as manufacture by a local subsidiary, as the latter enjoy a separate legal entity under the principle of corporate law, one should approach it from the implied consent line of reasoning rather than the power of corporate control of parent over subsidiary.

**[113]** Still on the issue of consent, *Revlon* was distinguished by *Colgate-Palmolive*, where the plaintiff therein is the US parent of an international group of companies which manufactured 'Colgate' toothpaste. Colgate US was the registered proprietor of the trademark and Colgate UK was the registered user. Under licence agreement with Colgate US, a Brazilian subsidiary, Limitada was permitted to use the trademark in Brazil. This agreement allowed Limitada to export to specified countries in South America and Africa. The defendants procured supplies of the Brazilian toothpaste for importation and sale in the English market, by representing that the goods were intended for export to one of the approved countries, namely Nigeria.

**[114]** The Court of Appeal held in favour of the plaintiff, finding on the facts that there had never been an *application* of the relevant UK Trademark to the Brazilian goods since the Colgate mark applied to the goods in Brazil was neither used nor contemplated to be used in the UK. The only *application* made was that of the Brazilian trademark, even though this was the same as the UK. Lloyd LJ stated 'the present reality is that each country grants trademark protection within its own territorial limit'. This decision lends support to the decision by Azahar Mohamed J (as he then was) in *Tien Ying Hong* when His Lordship stated that on principle and on authority that our trademark law is territorial in nature.

**[115]** With that established legal position of the law on the issues that would be relevant in the determination of the present appeal, at the forefront of our minds, we now proceed to answer the questions posed by the plaintiffs.

*Question (a): Will a brand proprietor/owner's trademark rights be exhausted worldwide even though the goods/merchandise in relation to which the trademark is used have been put on market by the brand proprietor/owner to be sold in a specific country/region/geographical area only for eg when it is clearly stated the goods/merchandise are 'to be sold in China only'?*

**[116]** Question (a) posed by the plaintiffs focus on the extent in which a trademark owner should be allowed to maintain control over its trademark by using its exclusive trademark rights in Malaysia to restrict the importation of goods into Malaysia after the goods have been restricted in its sale somewhere else in a specific country or region. In this case, the sale of the goods in question was restricted only to China. Hence, the issue in question (a) is: would the proprietor's rights be exhausted worldwide even if the sale is restricted only to a specific territory.

**[117]** The defendant interpreted sub-s 40(1)(d) to mean that since P2 is the registered proprietor of the trademark and P3 as registered user had placed the trademark on the goods which are marketed from China throughout the world for sale, P2 and P3 shall immediately cease to have rights to control subsequent dealings with goods bearing the 'Eagle Coin' trademark. The defendant took the interpretation of sub-s 40(1)(d) of the TMA to mean that the registered proprietor's rights in the goods are exhausted once the goods are sold by him or his authorised distributor with his consent anywhere in the world, as in this case. Much reliance was placed by the defendant on *Winthrop* which made reference to *Revlon* which highlighted on parallel importation and held that when a member of an international group applied a trademark to goods, a purchaser of the goods was entitled to assume that he would not be sued by any other member of the group simply on the basis of the place of manufacture of the products and therefore, since both the plaintiff and the defendant were authorised dealer appointed by the registered proprietor, the plaintiff in the two cases shall have no right to sue the others.

**[118]** The principle in both cases of *Winthrop* and *Tien Ying Hong* is that, if the mark has been applied overseas by a company which is part of the same corporate group as the local trademark owner, it is not infringement of the local trademark for a third party to import goods bearing the mark. Both the plaintiffs in *Winthrop* were regarded to have impliedly consented to the use of the trademark by the manufacturers of the blue pack Panadol in the UK. The defendants acquired the absolute ownership of the goods including the right to sell the goods in any part of the world in the same condition in which they were

A disposed of. The court also found that there was no territorial restriction on the exportation of the product and neither was there evidence of any conditional sale of the product.

B **[119]** *Winthrop* is the first case in Malaysia that dealt expressly with parallel importation of trademark goods under the Trade Mark Ordinance 1950 which was later repealed and replaced by the TMA.

C **[120]** Subsequently *Tien Ying Hong* dealt with the application of the trademark exhaustion defence, which involved the application of sub-s 35(1) and s 38 relation to parallel imported goods. The court held that in the context of the case, 'parallel import of the batteries bearing 'SEIZAIKEN' trademark are permitted under the TMA, if and only if the plaintiff must be taken to have consented to their importation, distribution and sale in Malaysia' (para 19 of *Tien Ying Hong*).

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**[121]** In *Tien Ying Hong,* the goods imported and sold in Malaysia were not goods manufactured by the plaintiff or its related companies overseas, but by a third party that was not connected to the plaintiff, yet owned the trademark E rights in the foreign company. The issue was whether in such situation could the goods manufactured by a foreign trademark owner be legitimately imported and distributed in Malaysia without infringing the Malaysian registered trademark owner's rights? In other words, whether the exhaustion defence apply to a parallel importation of this nature? The court ruled that F importation and sale of such goods would infringe the Malaysian registered trademark owner's rights. The learned judge in *Tien Ying Hong* held that it made no difference whether the batteries were imported, distributed and sold domestically by the defendant were genuine products by Seiko Instruments Inc Japan, Seiko Instrument Inc itself did not have the right to sell batteries under G the trademark 'SEIZAIKEN' in Malaysia because the plaintiff is the registered owner of the trademark 'SEIZAIKEN'. Only the plaintiff has the right to import, distribute and sell in Malaysia batteries bearing the trademark 'SEIZAIKEN'. His Lordship held that no one has the right to import or sell the batteries bearing the trademark 'SEIZAIKEN' without the consent of the H plaintiff.

**[122]** From the analysis of the facts in *Winthrop*, the reliance by the defendant on *Winthrop* which referred to the case of *Revlon* and the reliance on *Tien Ying Hong* is misconceived, as the facts between *Winthrop* and our present appeal are I poles apart.

**[123]** In *Winthrop* referred to by the defendant, it was between two appointed distributors (plaintiff and defendant) of the registered owners of the trademark from different countries who imported their goods to other country. There the

registered proprietor of the trademark was not involved in the suits. It is a situation where the plaintiff (company A) and defendant (company B) were both appointed distributors and manufacturers of products belonging to the registered proprietor. Instead of selling company A's products in country A, the defendant (company B) was selling the products manufactured by company B in the geographical area belonging to company A. The issue that was raised by the parties in those cases was between the plaintiff (company A) and the defendant (company B). In situation like this, the registered proprietor should not have the right to step in because authorisation and consent has been given to both the plaintiff (company A) and the defendant (company B) in selling and manufacturing the products bearing the same trademark belonging to the registered proprietor. This is a situation where the rights and consent has been given to both the plaintiff (company A) and the defendant (company B) by the registered proprietor.

**[124]** In *Revlon*, the Revlon group of companies was one collective corporate entity, regardless of the technical distinctions. Although the parent company, Revlon Inc did own the Revlon Flex marks in the UK, they were held by Revlon Suisse (the proprietor of the UK marks) for the benefit of Revlon Inc. Templeman LJ opined that in a group such as Revlon, the legal ownership of trademarks were mere instruments. In fact, Revlon Inc orchestrated the business of the group through subsidiaries for the benefit of itself. He further held that Revlon Suisse was a subsidiary which could not object to the parent company, Revlon Inc, putting the trademark and disposing the goods in the US or anywhere in the world. Thus, Revlon Suisse was taken as having impliedly consented to the use of the trademark in connection with the goods which emanated from the parent company, and which had found their way into the ownership of the defendants.

**[125]** However, that is not the situation in our present case. P2 in our case is not the registered proprietor of products bearing the 'Eagle Coin' trademark. P2 was assigned to use the 'Eagle Coin' trademark and sell the products bearing the said trademark outside China. The defendant is not the authorised distributor of the products bearing 'Eagle Coin' trademark. This fact is admitted by the defendant. Through the testimonies of P1, P2 and P3, there was no authority, consent (express or implied) given by the registered proprietor/owner (P1) of the 'Eagle Coin' trademark or the authorised distributor (P3) in Malaysia, to the defendant, to sell the products bearing the same trademark.

**[126]** Further distinction in the facts in *Winthrop* is that, the goods were the same for both domestic and export market. There was no issue of passing off or misrepresentation. There was no territorial restriction on the goods in the agreement between the manufacturer and the registered owner/user of the

trademark in Malaysia or on the packaging, that the registered owner/user had no right to restrict the defendants from selling the goods imported from the British domestic market in Malaysia. There is also no agreement for the goods to be sold outside China so there cannot be implied consent for this to be done. As imprinted on the packaging of the goods which were purchased by the defendant from retail outlet of P2 in China, there is restriction that the goods are meant for the China market only.

**[127]** Another distinguishing factor in *Winthrop* is that there was knowledge on the part of the plaintiffs that the defendant is an existing customer of theirs and that the plaintiffs also knew that the defendant was an exporter of the goods, so the court could infer there was implied consent to reselling, whereas in our case, the defendant was neither an existing customer of the P2 nor a known exporter/distributor of 'Eagle Coin' products for consent to be implied or deemed.

**[128]** In *Winthrop* and *Revlon*, the registered proprietor of the trademark in question were never involved in the suit. Unlike our present case, P1 and P2 are parties to the suit and it was in evidence that there was never any consent nor authorisation given to the defendant to purchase the goods from China and export it to Kota Kinabalu, Malaysia to be resold to the public.

**[129]** The aforesaid principles are similar to the position adopted by the European Court of Justice (ECJ) in dealing with exhaustion of rights within the member states. Cases from the ECJ show that trademark rights cannot be exhausted worldwide and would only be exhausted nationally if the imported goods were also placed on the national market by the registered proprietor/owner of, with their consent.

**[130]** Further, implied consent can only be inferred when the facts and the circumstances unequivocally show that the proprietor has renounced his right to oppose placing of the goods on the market to the jurisdiction the goods were imported to (see *Zino Davidoff SA*).

**[131]** With regard to consent, it is clear from the decision in the case of *Colgate-Palmolive Ltd & Anor v Markwell Finance Ltd & Anor* [1989] RPC 497, that firstly, the consent must be by the registered proprietor or user. Secondly, it must be shown that the consent relates to the use of the marks whose rights were secured by registration. In the *Colgate-Palmolive* case, the court held there was no implied nor express consent and there were attempts to prevent the import of the Brazilian goods to the UK, as there was significant difference in the formulation of the goods. The facts disclosed that the goods produced in Brazil were of lower quality compared to the goods made in the UK, which would create a misrepresentation to consumers as to the quality of

the goods. The Brazilian licensee was strictly limited to the use of the trademark in Brazil and a few other territories which did not include the United Kingdom. Given the qualitative differences in the products, one can understand the commercial reasons for wanting to keep the markets separate.

**[132]** In the grounds of appeal filed by the defendant at the Court of Appeal, the defendant stated that when the defendant, through their agent went to the retail store in China to purchase the infringing products, there is implied consent given by P2 through the retail stores that they can re-sell the infringed products purchased in Malaysia; and that with the existence of the implied consent given by P2, it falls under the meaning and understanding of the law on parallel importation as stated in the case of *Winthrop*. The defendant contended that this can be seen in P2's invoicing, packaging, labelling and sending the goods to the defendant in Sabah between September 2016 to November 2016 after the defendant or DW1 had purchased the goods from P2 in China on 28 August 2016.

**[133]** However, the learned High Court judge had evaluated this aspect of the evidence which suggests otherwise. It was the findings of the learned High Court judge that there is no evidence that P2 had shipped the canned fried dace purchased by the defendant at its outlet in China in Malaysia. The learned High Court judge found on the evidence that 720 cans of the products were shipped by Guangzhou Hefu International/Hefu International Logistic Company Ltd, which is the transporter of the defendant. It was also the findings of His Lordship that the defendant had admitted selling a product with a trademark of which, it is neither the registered owner nor the registered user. The retail store in China sold the infringing goods to the agent of the defendant, a Chinese citizen. Although the infringing goods were bought in bulk, that cannot be inferred that the plaintiffs knew that the infringing goods were purchased for purposes of re-selling, marketing and distributing in Malaysia. The infringing goods were arranged for transportation and shipment to Malaysia by the defendant through its agents in China, not through the plaintiffs or the plaintiffs' agents. The transporter and the forwarding company that were responsible for the shipment of the goods to Malaysia have nothing to do with P1 nor P2. The representative of the defendant, DW1 had gone to the retail outlet of P2 in China to purchase the goods, could read Mandarin and it was the finding of the learned High Court judge that DW1 would have known that the labelling on the products indicated that the goods were not meant to be sold outside the China market. We have no reason to disturb such findings by the learned High Court judge.

**[134]** These findings of facts by the learned High Court judge were never impugned nor assailed by the Court of Appeal. Due to the unavailability of the grounds of judgment by the Court of Appeal, this court is in no position to

hazard a guess as to the reasons why the court of reversed the decision of the learned High Court judge. It was never explained in what way the learned High Court judge was plainly wrong in making such findings of facts on the evidence which were before him, which to our mind, have no reason to interfere.

**[135]** As P3 is the registered user under sub-s 48(5) of the TMA, it is entitled to use the registered trademark within any prescribed limits of his registration. Thus, P3 enjoyed the protection afforded by sub-s 35(1) of the same. There was no permission obtained by the defendant from P3 for marketing and distributing the products in Malaysia. The learned High Court judge found that on the packaging of the infringing goods distributed by P3, is printed that P3 is the sole authorised distributor of the product of P1. It was in evidence that the defendant had previously ordered canned fried dace with the 'Eagle Coin' trademark from P3 for sale in its supermarket but ceased doing so because of the high price. Hence, there was knowledge on the part of the defendant that P3 is the sole authorised distributor of the product of the 'Eagle Coin' mark.

**[136]** There was no consent, be it express nor implied, by the plaintiffs, to the resale of the products in Malaysia. There is no affiliation between the plaintiffs and the defendant to warrant any implied consent, rather it invites confusion and deception amongst consumers due to the unauthorised sale of the products. Therefore, there is no exhaustion of their trademark rights, be it nationally nor internationally.

**[137]** Hence, the learned High Court judge did not err when His Lordship held that the defence of parallel importation fails and that the trademark rights of the plaintiffs had been infringed when it imported the products that carry the trademark 'Eagle Coin' which was restricted for sale in China only. These products though not counterfeit but products of the plaintiffs brought into Malaysia through unauthorised parallel importation.

**[138]** We therefore answer question (a) in the negative.

*Question (b): Whether the sale of parallel imports in Malaysia can be prohibited if the goods/merchandise purchased and intended to be re-sold are materially different from the goods/merchandise that the trademark proprietor/owner has authorised to be put on market in Malaysia?*

**[139]** Admittedly, there are occasions/situations where a company chose to produce different goods for different markets under the same trademark, due to different requirements in terms of cultural, standards and availability of resources relevant in different regions/country. Such situation is well illustrated by the *Colgate-Palmolive* case and *Re PT Garudafood Putra Putri Jaya TBK* [2019] 11 MLJ 396, where 'the applicants' products meant for export and sale

in the Malaysian market which used and incorporated the 'Gery' mark are different from the applicants' products that also used and incorporated the 'Gery' mark meant for the Indonesian market'.

**[140]** The International Trademark Association recommends some jurisdictions adopt a material differences standard to exclude parallel imports that are materially different from those products authorised for sale by the trademark proprietor/owner in the domestic market. This is the approach that appears to have been adopted by the High Court in *Re PT Garudafood Putra Putri Jaya TBK.*

**[141]** In the *Colgate-Palmolive* case above, the court held that the 'goodwill' of Colgate had been damaged by the importation of inferior Colgate products into the US. In the US which applies the 'first-sale doctrine' (where the trademark owner cannot prevent the subsequent re-sale of its goods by others), the sale and distribution of parallel imports that are materially different from the goods authorised for sale within the US, would cause confusion and would constitute trademark infringement. Case laws from the US demonstrate that the fact that both goods come from the same manufacturer is irrelevant as the probability of confusion exists. The cases from US are instructive, in that even a single material difference creates a presumption that the gray goods have a potential to mislead or confuse consumers about the nature or quality of the product.

**[142]** We are persuaded by the submission by the plaintiff that Malaysia should adopt an approach like the US that the sale and distribution of parallel imports that are 'materially different' from goods authorised for sale within the country constitutes trademark infringement. This proposition is illustrated by the following cases from the US:

(a) in *Societe Des Produits Nestle, SA v Casa Helvetia, Inc* 982 F.2d 633 (1st Cir, 1992) where the Federal Court of Appeals adopted the protective approach on registered proprietors of the trademark against the importation of the gray goods, and went on to hold that even a single material difference creates a presumption that the gray goods have a potential to mislead or confuse consumers about the nature or quality of the product;

(b) in *Lever Bros Co v United States* 981 F2d 1330 (DC Cir 1993) where the US Court of Appeals for the District of Columbia prohibited the importation of physically different foreign goods bearing a trademark which was identical to a valid US trademark, regardless of the trademark's genuine character abroad or affiliation between the producing firms. Such affiliation between the producers in no way reduces the probability of substantial consumer confusion and

deception in the US about the nature and origin of the goods; and

(c) in the *Colgate-Palmolive*'s case, the court held that the sale and distribution of parallel imports that are materially different from the goods authorised for sale within the US, would cause confusion and would constitute trademark infringement. It went on to hold that the 'goodwill' of 'Colgate' had been damaged by the importation of inferior 'Colgate' products.

**[143]** We agree with the submission by the plaintiffs that the aforesaid approach should be adopted in cases of parallel imports that are materially different from goods authorised for sale in Malaysia. The fact that the goods originate from the same manufacturer is irrelevant as the probability of confusion exists.

**[144]** In our present appeal, apart from the expressed territorial restriction of sale on the packaging, the products offered for sale by the defendant are materially different in terms of contents, quality and packaging.

**[145]** The infringing products purchased by the defendant from the retail outlet of P2 in China do not comply with the labelling requirements under the Food Regulations 1985 and halal requirement unlike the products authorised to be sold in the Malaysian market which also provides for the Muslim market. The facts show the ratio of fish content in the infringing products bearing the 'Eagle Coin' trademark which were restricted for sale in China are different from the goods bearing the 'Eagle Coin' trademark sold in Malaysia.

**[146]** Given the aforesaid, the sale and distribution of parallel imports of the infringing products, which are materially different from the goods authorised for sale within Malaysia, would create confusion amongst the consumers and would constitute trademark infringement. Therefore, the sale of parallel imports in Malaysia can be prohibited if the goods intended to be resold are materially different from the goods that the trademark owner has authorised to be put in market in Malaysia.

**[147]** Therefore, for question (b) we answer it in the affirmative.

*Question (c): Can the quantity of goods/merchandise purchased be used to determine if there's implied consent given by the manufacturer/brand proprietor/owner to sell the goods/merchandise purchased outside Malaysia to be resold in Malaysia?*

**[148]** Bulk purchase of the goods cannot be taken as implied consent by the manufacturer/brand proprietor/owner to sell the goods/merchandise

purchased outside Malaysia to be resold in Malaysia. We agree with the submission by the plaintiffs that consent does not just extend to the act of reselling but where the products can be resold.

**[149]** There is also the 'territorial restriction' on the packaging of the goods which were purchased by the defendant from China. Hence, we do not see on what basis can bulk purchase by the defendant outside Malaysia, be used to infer consent that the goods are to be sold in Malaysia.

**[150]** Due to the clear objection by virtue of the territorial restriction on the packaging, it would be absurd to rely on the sheer quantity of the purchase to imply consent to importing the goods into Malaysia for reselling. For consent to be implied, it must be shown that there was an unequivocal renunciation of rights by the manufacturer/brand proprietor/trademark owner.

**[151]** Therefore, our answer to question (c) is in the negative.

*Question (d): In the event the answer to question (c) above is 'yes', then can the consent be valid if the goods/merchandise purchased were put in market by the manufacturer/trademark proprietor/owner to be sold only in that specific country from which the goods/merchandise were purchased from?*

**[152]** The facts show that the goods purchased by the defendant is only restricted to be sold in China only. There is no consent for the infringing goods to be sold outside China.

**[153]** As we have answered question (c) in the negative, and the question posed is no longer relevant as it does not reflect the facts of the case, we decline to answer question (d). This question presupposes that consent is valid when the facts does not show consent was ever given by the registered owner or registered user of the trademark for the goods to be sold outside the restricted area.

**[154]** We, therefore, decline to answer question (d).

*Question (e): Whether goods/merchandise when purchased but not imported and/or does not comply with laws concerning importation amount to parallel importation?*

*Question (f): Whether the law in Malaysia allows for food products to be sold even though it is not packaged according to the Food Regulations Act 1985 and/or Food Act 1983?*

*Question (g): Whether the implied consent and/or express consent given by the*

*trademark proprietor/owner supersede the laws of Malaysia?*

**[155]** We take questions (e), (f) and (g) together, as the issues raised in the three questions were never raised before the High Court judge.

**[156]** On the legal requirement that food products for export must be accompanied with a sanitary certificate issued by the relevant governmental authority, mentioned by the learned High Court judge in his judgment, that was in relation to the factor which His Lordship considered to be negating the element of consent on the part of the plaintiffs. Nothing was addressed by the learned High Court judge on the requirements of the compliance of the laws on foodstuff in relation to parallel imports. Hence, we decline to answer questions (e), (f) and (g).

## CONCLUSION

**[157]** In summary, our answers to the questions posed are:

Question (a) — negative.

Question (b) — affirmative.

Question (c) — negative.

Question (d) — decline to answer.

Question (e) — decline to answer.

Question (f) — decline to answer.

Question (g) — decline to answer.

**[158]** For the foregoing reasons, we find the Court of Appeal erred in reversing the decision of the High Court. The learned High Court judge was right in allowing the claim by the plaintiff, namely that:

(a) the defence of parallel importation fails;

(b) the trademark rights of the plaintiff had been infringed by the defendant; and

(c) the defendant has misled the public into thinking that the fried dace with the 'Eagle Coin' trademark was the same product marketed by P3. In the premises, the reputation of P3 would be damaged if Malaysian customers confused the source of the defendant's product because of the common identical trademark. Hence, the plaintiff succeeded in establishing their claim under the tort of passing off.

**[159]** We, therefore, allow the appeal by the plaintiffs and affirm the decision of the High Court with costs of RM100,000 here and below to be paid by the defendant to the plaintiffs subject to payment of allocator fee. The decision of the Court of Appeal is set aside as we cannot see any reason to disturb the decision of the learned High Court judge.

*Appeal unanimously allowed; COA's decision set aside; and High Court's decision restored.*

Reported by Ashok Kumar